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Speech

SAFETY AND ECONOMICS: A COMMON PATH TO SUCCESS

**Remarks of
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On behalf of President Bush and Secretary Mineta, let me welcome all of you to Washington. It is my privilege to have this opportunity to address the First Global Summit on Regional Safety Oversight. Over the past several years, the George Washington consortium on aviation safety has done an excellent job of bringing together aviation authorities and leading safety experts from across the world to promote the importance of civil aviation safety oversight programs.

As you will hear throughout this summit, building a solid foundation of safety oversight is one of the most effective ways that governments can help secure the economic benefits that accompany a growing aviation sector. Because you will be hearing so much about safety during your time here, I thought it might be more useful if I focused my remarks today on other things we have been doing to improve the economics of the aviation industry. I would also like to offer some thoughts about how those improvements can contribute to more effective regional safety oversight programs.

Safety Measures Paving the Way toward Economic Opportunity

Efficient transportation systems rely upon global networks across all modes of transportation, but especially in the aviation sector. For that reason, safety oversight cannot be exercised in a vacuum. Rather, nations must coordinate their activities with others to ensure that we are not burdening this critical sector of our economy with a series of overlapping and inefficient requirements.

Another reality that underscores the advantages inherent in regional cooperation is the fact that demands placed on safety regulators often require more resources than are

available to any one government. In fact, countries often struggle to ensure that they have the expertise and financial resources in place to maintain a comprehensive safety oversight program. Without such a program in place, important economic development opportunities can be lost as carriers and manufacturers opt to serve other destinations. We are encouraged to see that many governments have learned to deal with this problem through greater regional cooperation and the use of regional safety oversight programs.

As Administrator Blakey mentioned earlier this morning, we are particularly encouraged by the success that regional safety oversight programs are beginning to enjoy in places like Central and Latin America and the Caribbean. President Bush has made it abundantly clear throughout his first term that building stronger links between this country and our neighbors throughout the Americas is a major priority of his. We want to continue to build on those relationships by creating new links through aviation that will enable all of us to avail ourselves of the economic benefits that will go along with the increased passenger and cargo traffic we expect to see in the years ahead.

Current forecasts predict that the number of international air passengers traveling between the U.S. and Latin America will continue to grow steadily at about 5.5% annually to reach an estimated 78 million annual passengers by 2013. This rate of growth is higher than that expected for the U.S.-European market for the same timeframe. The International Air Transport Association projects that Latin America will lead the world in the overall growth rate of aviation, averaging nearly 8 percent annually, with four of the seven fastest growing countries being from Latin America. These figures represent tremendous opportunities. But they also pose great challenges as we work together to maintain the safest air transportation system possible.

Substantial progress is being made in other parts of the world as well. New and exciting opportunities for greater trade and commerce are being generated as a result of the similar regional safety initiatives underway in Africa, Asia, and Europe. In short, the airline industry, at its core, is a vibrant and resilient part of the global economy, one that will continue to play a vital role in economic and trade relationships around the world, and regional air safety initiatives will help to ensure that economies everywhere enjoy the full benefits of quality commercial air service.

Modernization of the Air Transportation System

A related topic, of course, is the question of whether and how the U.S. and other governments can ensure the availability of sufficient air space and ground infrastructure to facilitate the continued growth of aviation in the years ahead. In other words, how do our governments plan to deal with the huge expected growth in air travel expected to occur here over the next few decades? Let me talk for just a couple of minutes about what the Department of Transportation here in Washington is doing to help answer that question.

In the U.S., we expect approximately three times the present demand for air services by the year 2025. This is only an estimate, of course, but even if demand only doubles in

that timeframe we will still need major structural changes in the way we manage, finance, and modernize our air transportation system if we are to handle efficiently the larger and more diverse set of aircraft operations that will accompany that increase.

With this in mind, early last year Secretary Mineta announced an historic new initiative that will take our aviation system to an entirely new level. It recognizes that, regardless of the shape and characteristics of the future market for air transportation, we will have to handle a great many more aircraft operations than we do today. As a result, Secretary Mineta has called for nothing less than a transformation of our air transportation system over the next two decades.

As part of his “Next Generation Air Transportation System” initiative, we have established a Joint Planning and Development Office – or JPDO – within the FAA that is staffed by representatives from a number of participating agencies. In addition to FAA staff, they include the National Aeronautics and Space Administration and the Departments of Defense, Homeland Security, and Commerce. The program is being guided by a new Senior Policy Committee chaired by Secretary Mineta and with high-level participation from each of the other agencies.

That committee has met several times and has guided the JPDO through the development of a first edition National Plan that lays out the long-term vision for how our air transportation system will be transformed in order to accommodate whatever increases in demand are placed on it. This year we will work to expand on that initial plan, developing additional details through the work of eight sub-groups each charged with laying out how the future system will look in their particular area of expertise.

While transforming our air transportation system to provide for long-term operational and safety solutions is a top priority, that activity has not inhibited our ongoing work to address more immediate operational and safety issues. In other words, we are taking a dual-track approach, working to address immediate operational and safety issues using existing programs while simultaneously working to formulate of longer-term solutions.

For example, we are doing all we can to take greater advantage of satellite-based technologies like those provided by our Global Positioning System. The Wide Area Augmentation System, or WAAS, which became operational last year, provides precision guidance to aircraft at thousands of airstrips where there is currently no other precision landing capability. The new approaches permitted by WAAS enable more aircraft to land safely at smaller airports, thereby holding out the potential for shifting some of this traffic away from busier airports in the future.

We are currently working closely with our Mexican and Canadian neighbors to expand the reach of WAAS throughout North America and, eventually, to other parts of the hemisphere. In light of the expected increases in traffic flow between North and South America and to continue improving safety and efficiency here and abroad, we also are cooperating with our Caribbean and South American partners to test whether an extension of WAAS to these regions is both feasible and beneficial. If both sides agree, it

is possible that WAAS capability could be operational throughout South America as early as 2007.

Working towards these goals of a hemisphere-wide navigation system and an overhaul of the air transportation system itself will allow for a substantial increase in the safe and efficient flow of air traffic. Increased harmonization of our air traffic systems in the region can also help ensure that we maximize global opportunities rather than creating a patchwork of overlapping systems that increase private sector costs and lead to unnecessary inefficiencies.

The Cape Town and Montreal Conventions

I should also note that the U.S. Government is actively supporting two international Conventions, Cape Town and Montreal, that will improve the overall safety and predictability of the aviation system. The Cape Town Convention and its Aviation Protocol, which were concluded in November 2001, establish an international financial framework to facilitate the extension of affordable credit for the acquisition of aviation equipment, primarily through the adoption of modern commercial asset-based financial practices. The Convention extends financing and leasing rules, which are well established under U.S. law, to cross-border and export transactions.

This new global financial framework will bring fresh sources of capital to aircraft financing in countries where carriers might not otherwise have access to them, while making commercial credit for the acquisition of aircraft more affordable at the same time. The Convention should, in turn, generate higher demand for aircraft, which is why aircraft manufacturers are working together to encourage all countries to ratify the convention.

Ultimately, the Convention will make the world's skies safer and cleaner as newer, state-of-the-art aircraft are acquired and brought into service. The United States, along with Panama, Nigeria, Ethiopia, and Pakistan have completed their ratification procedures. Three more ratifications are needed for the new regime to come into force, which we expect to happen in the coming months. I urge all of you to consider ratification of the Convention as soon as possible so that your airlines and passengers can realize the benefits offered by the Cape Town Convention.

The 1999 Montreal Convention, another important yet often overlooked accomplishment, establishes modern rules for governing an airline's liability to its passengers and shippers in international carriage. The new Convention is intended to replace the antiquated 1929 Warsaw Convention and the 1955 Hague protocol.

The old Warsaw/Hague Convention established liability ceilings for the supposed benefit of carriers – caps that are wholly out of step with today's economics. Today, those caps actually operate to the detriment of carriers because they encourage victims and their families to break through the artificial caps on compensation in the only way Warsaw

allows – by going to court in lengthy, expensive, and time-consuming litigation that the carrier was guilty of “willful misconduct.” Montreal ’99 is a far more sensible approach.

The original intent of the Warsaw system was to unify the rules for international aviation. The Montreal Convention carries that objective forward with a modern standard that provides fair compensation for passenger death or injury.

The United States ratified the Montreal Convention in November of 2003. We believe it is extremely important that it be adopted as widely as the original Warsaw Convention was. In sum, we believe that both the Cape Town and Montreal Conventions are important international agreements with significant benefits for the aviation sector around the world, and therefore should be ratified by every government that wishes to better their citizens’ lives through aviation.

Air Services Liberalization

No one from DOT, of course, speaks to an audience like this one without making a pitch for Open Skies. During President Bush’s first term, we continued the U.S. Government’s highly successful campaign to liberalize international aviation markets around the world, pursuing the Open Skies model that was pioneered back in 1992. In the last year alone we signed five more Open Skies agreements. We also achieved significant liberalization in our aviation relationship with China, expanding by five times the number of flights between our two countries.

In addition, we made strides toward a landmark agreement with the European Union that would create a far more open and interesting transatlantic air services market. While our negotiations with Europe are on hold for the time being, we are actively pursuing more liberalized air services agreements with Canada, Hong Kong and Mexico. This year we will also be taking a hard look at whether it is time to make the next step beyond the Open Skies model towards a truly multilateral governance structure for what is, by definition, a global industry. I still fail to understand why an industry like aviation lags far behind others in the services sector like telecommunications or financial services in moving towards a truly global system, and we will be identifying ways to address that anomaly. Liberalization of air services means greater service to more cities around the world, creating jobs, enhancing efficiency, and providing travelers with a wider variety of travel options.

Conclusion

Of course, to fully participate and benefit from these agreements, countries must have a strong safety oversight program that meets internationally recognized standards. Therefore, we must take full advantage of our time together this week to build bridges across the continents so we can continue to improve our partnerships in safety oversight and thus expanding on the trust we have already developed among airline passengers and our other stakeholders.

In closing, let me reiterate my strong view that there is a direct link between the various safety initiatives and conventions you will be talking about at this summit and the ability for countries all over the world to make real economic and developmental progress in the years ahead. We look forward to working with all of you, and appreciate your attendance here today.

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